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160506Z Jun 05

C O N F I D E N T I A L ROME 002051

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SENSITIVE

DEPT FOR EB/IFD/ODF (DEMARCELLUS)

E.O. 12958: DECL: 06/15/2015

TAGS: [PREL](#) [PGOV](#) [E Aid](#) [EIND](#) [ECON](#) [IT](#) [IZ](#) [EUN](#) [IRAQI](#) [FREEDOM](#)

SUBJECT: U.S.-EU IRAQ CONFERENCE, ITALY UNLIKELY TO  
ANNOUNCE NEW AID

REF: SECSTATE 103222

Classified By: A/Econ Min-Couns Kathleen Reddy for reasons 1.4 (b)(d).

[1](#)1. (SBU) Summary: Italian Foreign Minister Fini will attend the Brussels conference, but aid officials tell us Italy will not commit to new assistance for Iraq. End summary.

[1](#)2. (SBU) Visiting A/S Fried discussed reftel points with Giovanni Castellaneta, Diplomatic Advisor to Prime Minister Berlusconi and raised the need for Italy to fulfill its aid promises and unfreeze Iraqi assets. Castellaneta did not reply directly.

[1](#)3. (U) Econoff also delivered reftel points to Federica Ferrari-Bravo, Office Director for the Middle East at the Directorate General for Development Cooperation at the Ministry of Foreign Affairs. Ferrari-Bravo stated that Foreign Minister Gianfranco Fini plans to head Italy's delegation to the Brussels conference accompanied by MFA Director General for the Middle East and Mediterranean Riccardo Sessa.

[1](#)4. (SBU) Ferrari-Bravo noted that the Brussels conference will not be a pledging conference, and she indicated the GOI will not announce new aid initiatives. Italy, she predicted, will reaffirm its intention to assist with the reconstruction of Iraq according to its existing Madrid pledge and to "consider other needs, if necessary." She said the GOI will give a more specific update on disbursements of its Iraq aid at the upcoming meeting of the International Reconstruction Fund Facility for Iraq in Amman. In response to the specific suggestion in reftel that Italy provide additional water and demining assistance, Ferrari-Bravo stated Italy is already fulfilling its obligations in those areas.

[1](#)5. (C) Roberto Ciciani, Director of the Office of Money-Laundering/Illicit Financial Crimes (which also has jurisdiction over the Iraqi assets issue) at the Finance Ministry told Econoff June 15 that roughly six million dollars in frozen Iraqi assets held in accounts at UBAE Arab Italian bank should be repatriated to Iraq in the coming weeks. The Italian Financial Security Committee rejected May 12 UBAE's request to unfreeze, but not repatriate, the assets. Ciciani said that the remaining assets (Note: He did not give an exact figure but we estimate \$60 million. End note.) held in the name of Iraqi institutions covered by U.N. Resolution 1483, have claims against them in Italian courts that pre-date the effective date of the UN Resolution. In almost all cases, the claims against the frozen assets exceed the value of the assets frozen. Ciciani said the Financial Security Committee was certain that there are no "secret Iraqi accounts" in Italy. After the UBAE transfer, Ciciani believes little, if any, of the additional funds could be repatriated to Iraq because of existing liens against these funds.

[1](#)6. (C) Comment: The GOI is very reluctant to take on additional assistance obligations, or even to commit to accelerating disbursements of its Madrid pledge, for fear that it will be unable to deliver. With Italy now in recession, and on a course to exceed once again the EU's three-percent budget deficit ceiling, Italy's foreign aid budget may again face mid-year "spending freezes" as in 2004. Italy views the Brussels conference as an important opportunity to improve donor coordination and discuss GOI-funded reconstruction projects already underway, but we expect the Italian delegation will provide few if any "deliverables." End comment.

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